

REPORT

DATE OF INFORMATION 1949

DATE DIST. /3 May 1949

NO. OF PAGES 2

SUPPLEMENT TO
REPORT NO.

THIS IS UNEVALUATED INFORMATION

SOURCE Ch'uan-wei, No 5, 1949.

T. V. SOONG AND A "SOUTH CHINA CONFEDERATION"

As evidence of the cleavage between the Chekiang and Kwangtung political cliques, due to divergence on political matters, the South China members of the Legislative Yuan recently telegraphed Fu Ping-chang to resign his new appointment as Minister of Foreign Affairs. They also decided to oppose Li Tsung-jen's declaration favoring peaceful surrender. These actions are signs that a new grouping is taking place, and such signs are daily becoming more clear. Ever since T. V. Soong came to Kiang-chow as governor of Kwangtung, the idea of a "United Kwangtung" has been growing like a rising wave. As a matter of fact, T. V. Soong is becoming the leader of this movement.

Since President Chiang's withdrawal, the opinions of men prominent in the KMT have tended to become more diverse, some favoring the acceptance of the CCP's eight-point basis for peace consultations, others taking the position that these harsh and domineering demands should be rejected. The great majority of the people of South China, including military, political, and party men, as well as representatives of the people are against accepting the CCP's terms and favor Dr Sun K'ao's earlier policy of an "honorable peace." The appearance of the demand for a "United Kwangtung" and a "South China Confederation" is the projection of this policy, and the evidence that it is taking definite form.

At this juncture, Cheng Yen-fen made a trip to Ch'i-k'ou to interview President Chiang/ and then to Hong Kong. On 25 March, T. V. Soong arrived in Kwang-chou in the midst of a very tense political situation. He was plainly the central figure. He had some long talks with Sun K'o, then premier, and with Hsueh Yueh, governor of Kwangtung on how to keep Kwangtung's finances steady and how to increase its defensive strength. Now it is very plain that power must come first, after which other matters may be discussed. Military and economic power are indispensable. A South China Confederation must have these kinds of power if it is to achieve anything. Hence, the main purpose of T. V. Soong's coming to Kwang-chou was to solve the primary problems of stabilizing Kwangtung's economic situation and providing the necessary support for strong military forces. After conferring with military, political, and party men, he agreed to provide an unspecified amount of US dollars, which large sum would be sufficient either to establish in Kwangtung more than five divisions of peace-preservation troops or perhaps to issue a supplementary currency.

21

CLASSIFICATION

RESTRICTED

[illegible]

RESTRICTED

STAT

Although a South China Confederation is already assuming a more or less definite form, things have still not come to the point where it can make its public appearance. The leaders must watch to see what the situation is after the peace talks are over. If the Government were to concede too much to the CCP, this powerful confederation might organize a new anti-Communist government with South China as its base and continue to contest with the Communists the sovereignty of China. Furthermore, in the field of international relations, it would seek to secure the aid and support of other anti-Communist nations. Recently, it is rumored that T. V. Soong is about to go to Europe to advocate the idea of a Pacific Pact. On the other hand, if the peace talks should proceed auspiciously, and a general peace should be attained, the South China Confederation would become merely a latent power.

Nevertheless, there are those who observe that if, unfortunately, the peace talks should fail, and the Communists should cross the Yangtze River and occupy territory south of the river, it would take them over a year to assimilate that territory, during which time South China would have the opportunity to complete its defenses. In view of these considerations, some men see in T. V. Soong's leadership of a South China Confederation a new signboard for the EMT, a measure necessary to be adopted now while it is not yet known whether the peace talks will succeed or fail. No matter what the inside organization of the South China Federation may be, it is in its nature a combination opposed to surrender, a new kind of ferment in the field of politics which is daily becoming more definite.

- E N D -

- 2 -

RESTRICTED